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Morocco

Grain and Feed Annual

2010 Grain and Feed Annual

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Report Highlights:

The 2009/10 grain planting season started under adverse weather conditions. Wheat planted area was 5 percent smaller than the area planted in the previous year, while barley area declined 13 percent. Total Moroccan grain production is expected to reach 7.1 million MT, about 30 percent lower than the record high harvest in 2009. Total wheat production is expected to be 4.2 million MT and barley production to be at 2.9 million MT. Morocco's wheat imports in CY 2009 totaled 2.366 million, a drop of 40 percent compared with imports in 2008, with soft wheat imports declined 56 percent, while durum wheat imports rose 90 percent. The Moroccan National Office of Cereals accepted bids in January and February 2010 to import 303,000 MT of soft wheat from the U.S under the TRQs of the U.S.-Morocco FTA.

EXECUTIVE SUMMARY:

Grain planting in the 2009/2010 season started and finished under unfavorable conditions, with rain delays in many parts of the country. Area planted to wheat was 5 percent smaller than the area planted in the previous year, while barley area declined by 13 percent. Overall, the grain crop is reported to be developing under favorable growing conditions, with sufficient rainfalls in February and March. Due to heavy rains and flooding situations in the Gharb region, there has been some damage to the crop and more than 50,000 HA of cereals are reported to be lost. Preliminary forecast puts total Moroccan grain production for 2010 crop at 7.1 million MT, about 30 percent lower than the record harvest in 2009, with total wheat production projected at 4.2 million MT and barley production at 2.9 million MT.

Durum wheat and barley prices declined significantly in the local markets in 2009, 25-30 percent compared to prices in the previous year. The decline in soft wheat prices was less significant. Morocco's wheat imports in CY 2009 totaled 2.366 million, a decline of 40 percent compared to the quantities imported in CY 2008. Soft wheat imports dropped 56 percent, while imports of durum wheat increased 90 percent. France continued to control the largest share of the Moroccan soft wheat market, while Canada dominated the durum wheat market. U.S. wheat exports to Morocco in 2009 totaled 178,000 MT, accounting for about 6 percent of the market, and up from 121,200 MT and 3 percent market share in 2008. In 2010, the Moroccan National Office of Cereals (ONICL) accepted offers in January and February to import 303,000 MT of soft wheat from the U.S under the tariff rate quotas (TRQs) of the U.S.-Morocco FTA. This amount is 30,000 MT short of the total quantity allocated to U.S. common wheat exports under the FTA this year.

COMMODITIES:

WHEAT

BARLEY

PRODUCTION:

Morocco's 2009/2010 grain planting season started under adverse weather conditions, with rain delays for more than two months in some parts of the country. Area planted with wheat is estimated at 2.829 million HA, about 5 percent smaller than area planted in the previous year. Area planted with barley declined by about 13 percent to 1.91 million HA. This decline was mainly due to lack of rainfall during the months of October and November 2009. However, heavy rains in December and January resulted in flooding of some grain areas, especially in the Gharb region, with 50,000 hectares of cereal crops severely damaged and considered lost.

Weather and Crop Growing Conditions

Cumulative rainfall during the first three months of the planting season did not exceed 78 mm, which represents a 20 percent deficit of rainfall in a normal year, and about 60 percent lower than the previous season. In late November and early December 2009, however, much needed heavy rains came throughout most of the country. This prompted some farmers to resume grain plantings in several areas. There are indications that the crop situation has significantly improved and there have noticeable increase in the groundwater supply and dam capacities this year.

Rainfall MM/Month	Avg. Normal Year	Crop Year 2009-10	% Incr.
September	8	49	+513
October	28	10	- 64
November	57	19	- 67
December	57	155	+172
January	54	120	+122
Cumulative	204	353	+ 73

Source: Ministry of Agriculture

As of the end January 2010, total water reserves in dams for agricultural use was estimated at 12.05 billion cubic meters, compared to 9.03 billion cubic meters in the same time period of 2009. Due to heavy rains and flooding situation, there has been some damage to the agricultural crops in the Gharb region. The damage to the cereal crops in this region is reported to be about 50,000 HA, in addition to 800 HA of sugar cane and 1500 HA of sugar beet in this region. However, the overall growing conditions for the cereal crops improved significantly in February and March, with mixes of sunny and rainy days in most of the regions.

Preliminary estimates put Morocco's total grain production in 2010 at about 7.1 million MT, almost 30 percent lower than the highest record harvest in 2009, although some analysts project a bigger grain crop at around 8 million MT. A large part of the decline in this year's production is expected to occur in the high swing areas such as Settat, Kelaa, and Beni-Mellal, where planted area and yields fluctuate dramatically from year to year depending on rainfall. Total Moroccan wheat production in 2010 is forecast at 4.1 million MT, of which 2.2 million MT common (soft) wheat and 1.9 million MT durum wheat. Barley production is projected at 2.9 million MT, a decline of about 24 percent from the previous year.

The table below provides data on area planted and production of wheat and barley as well as Post estimates for the 2010 production:

Year of Harvest	2005	2006	2007	2008	2009	2010*	Average 05-10
Area Planted (1,000 Hectares)							
Durum Wheat	1,059	1,069	843	928	969	918	964
Soft Wheat	1,907	2,038	1,729	1,930	2,009	1,911	1,921
Tot. Wheat	2,966	3,107	2,572	2,858	2,978	2,829	2,885
Barley	2,180	2,189	1,993	2,181	2,183	1,910	2,106
Total Planted	5,146	5,295	4,565	5,039	5,161	4,739	4,991
Production (1,000 MT)							
Durum Wheat	941	2,096	514	1,027	2,100	1,400	1,340
Soft Wheat	2,102	4,231	1,069	2,703	4,300	2,800	2,880
Total. Wheat	3,043	6,327	1,583	3,730	6,400	4,200	4,230
Barley	1,102	2,535	763	1,272	3,800	2,900	2,060
Total Production	4,145	8,862	2,345	5,002	10,200	7,100	6,290

Source: Ministry of Agriculture.

(*): FAS /Rabat Production projection figures for 2010.

CONSUMPTION:

Total wheat consumption in Morocco remains relatively stable. Total consumption increased by about 3 percent last year, but is expected to stabilize in the coming year. However, the increased urbanization and the prevalence of low income, a heavy bread-user population, and the lack of cheaper substitutes will likely continuing to strengthen demand for wheat in the long term.

Diversification of bread products started to occur especially in major cities where the higher income population tends to concentrate. Increasingly, wheat from the U.S. is viewed by many Moroccan millers as an “improver” of flour performance and hence some quality oriented mills have started demanding it. The demand for “improver” wheat is likely to increase with the rapid development of fast-food chains, industrial pre-baked and chilled dough products for the tourism industry.

The GOM considers common wheat a politically and socially sensitive commodity. In 2007, an attempt to pass on the increase of world wheat prices to the consumer was promptly stopped after the unrest in one Moroccan town. Since then, the government devised a mechanism by which bread wheat prices have been successfully maintained at their low level and the government treasury has supported the extra costs. In addition, the GOM continues to subsidize about a million MT of soft wheat flour commonly known as “National Flour” presumably to make flour available to the low-income consumers. Marketing of wheat to make subsidized flour is subject to heavy government control at all levels. The government set up all processing parameters including the extraction rate, extraction margin, ex-mill prices, wholesale and retail prices. This wheat (whether local or imported through ONICL tenders) enters flour mills at the same price (2,588 DH/MT for the standard quality) and the government supports the difference. The government does not get involved in local marketing and pricing of durum wheat.

There are about 144 common wheat industrial processing mills in Morocco with a capacity of about 8.7 MMT and about 40 durum industrial processing mills with a capacity of 1.2 MMT. In addition, there are literally thousands of traditional small wheat family-run processing mills located mostly in small towns and rural areas. The wheat mills capacity is generally underutilized which has opened an opportunity for the wheat millers to process wheat for exports, especially to African countries (see export section).

With the heavy rain during the months of December-February, pasture conditions will improve which will likely reduce consumption and thus demand for feed barley by livestock producers in Morocco this year.

TRADE:

Morocco is one of the world's major wheat importers. Morocco's imports of common and durum wheat tend to fluctuate from year to year reflecting the swings in local production. Provided minimum specifications, Morocco remains a price oriented market and importers must compete with the cheaper origins. In CY 2009, Moroccan wheat imports totaled 2.366 million, a decline of 40 percent compared to the quantities imported in 2008. This was mostly due to the large wheat supplies resulting from the highest production ever recorded in that year. While Morocco's imports of soft wheat dropped 56 percent in CY 2009, its imports of durum wheat increase by 90 percent. France continued to control the largest share of the Moroccan soft wheat import market, while Canada dominated the durum wheat import market.

U.S. wheat exports to Morocco in CY 2009 totaled 178, 000 MT, and accounted for about 6 percent of the market. This is compared to 121, 200 MT and 3 percent market share in 2008. The decline in U.S. wheat exports to Morocco in CY 2008 and 2009 (compared to 2007) was mainly due to the lack of price competitiveness of U.S. exports with other suppliers, particularly when Morocco eliminated duties on wheat imports for several months of the year. The removal of the import duties during this period neutralized the preferential access for U.S. wheat exports in the Moroccan market under tariff rate quotas (TRQs) of the U.S-Morocco Free Trade Agreement (FTA). In general, the EU and Black Sea wheat suppliers have a competitive edge over U.S. suppliers because of their proximity to the Moroccan market and their ability to export the small size shipments desired by the Moroccan buyers. In January and February 2010, Moroccan importers purchased a total of 303,000 MT of soft wheat from the U.S. under the TRQs of the Free Trade Agreement.

The following table shows Morocco imports of common and durum wheat by country of origin in the last four years (MT):

Year	2006	2007	2008	2009
Wheat Imports/Origin	MT	MT	MT	MT
Common Wheat Imports	1,099,709	2,840,595	3,618,767	1,577,386
U.S.A.	22,060	936,894	121,187	75,228
EU Total	730,163	1,376,078	2,533,804	1,168,491
-France	644,585	1,121,157	1,957,661	989,074
-Germany	85,578	168,604	305,862	79,267
-Lithuania	0	86,317	270,281	100,150

Russia	29,309	99,219	81,060	59,695
Ukraine	88,549	2,668	44,533	71,387
Argentina	0	0	248,381	0
Kazakhstan	0	183,572	60,382	0
Brazil	0	23,455	106,034	0
Durum Wheat Imports	725,928	787,428	414,216	788,775
U.S.A.	203,494	147,150	0	72,967
Canada	518,367	596,693	404,851	673,034
France	3,908	41,365	8,444	3,820
Total Wheat	1,825,537	3,628,023	4,032,983	2,366,161

Source: Official Moroccan Trade Date.

Total Moroccan wheat imports (durum and common) in MY 2010/2011 would likely be higher than in the MY 2009/2010. This is mostly due to the smaller wheat production projected this year, about 30 percent lower than last year's crop. Barley import estimates for 2010/11 are likely to be similar to the previous year despite the decline in barley production. The table below shows Morocco's barley import by country of origin (1,000 MT)

Years	2006	2007	2008	2009
U.S.A.	-	10	20	-
Spain	-	133	51	-
France	53	258	194	59
Hungry	-	17	-	-
Belgium	-	-	-	-
Germany	15	11	7	-
Bulgaria	-	7	-	-
Kazakhstan	-	25	-	-
Maldives	-	3	-	-
Romania	-	-	-	-
Russia	-	19	9	-
Turkey	6	-	-	27
Ukraine	63	44	17	167
Others	52	17	13	5
Total Barley	189	544	311	258

Source: Official Moroccan Trade Date

Moroccan Flour Exports

Although Morocco is a net importer of wheat, it exports limited quantities of wheat flour to neighboring African countries. Morocco wheat flour exports reflect the situation of excess milling capacity; hence millers have been able to process wheat cheaply for some export destinations. The table below shows Morocco's exports (in 1,000 MT) of wheat flour by destination in the 4 years:

Year	2006	2007	2008	2009
Destination:				
Cuba	-	12	15	-
Guinea	36	20	15	49
Gambia	18	16	5	13

Cent. Africa. Rep.				
Niger	1	2	1	2
Liberia	10	6	-	1
Mali	4	6	-	-
Libya	-	30	-	-
Burkina Faso	3	1	-	-
Benin	1	-	-	1
Guinea-Bissau	-	2	-	-
Other	10	9	30	2
Total Exports	83	104	66	68

Source: Official Moroccan Trade data.

STOCKS:

Grain stocks held by farmers fluctuate significantly in Morocco and are very difficult to assess. Stocks held by agents licensed by the Cereal Office (grain merchants, cooperatives, processors) and government managed port silos are normally known.

The table below provides data on stocks held by licensed agent and in port silos on January 31, 2010 (in 1,000 MT):

	Grain Merchants	Cooperatives	Millers & Processors	Port silos	Total
Common Wheat	512	99	226	35	871
Durum Wheat	127	-	118	-	245
Barley	61	21	14	6	102

Source: Moroccan Cereal Office

Port Handling and Storage Facilities

A new silo facility with a storage capacity of 42,000 MT and discharging capacity of 16,000 MT/day that was built in the Jorf Lasfar port in 2008 by a private Moroccan investor is now operational. The facility contains two 400 MT/hour screw conveyors and a conveyor belt with a capacity of 800 MT/hour. The Jorf Lasfar port currently has the deepest berth (12 meters) of all grain docks in Morocco and is capable of handling grain ships with loads of up to 40,000 MT. Another private sector silo with a storage capacity of 66,000 MT (operational capacity of 55,000 MT) was built by Moroccan company in the port of Casablanca. This facility will expand the current capacity of the Casablanca Port, which has an old silo owned by the National Office of Cereals with a total storage capacity of 50-70,000 MT with a nominal discharging capacity of 900 MT/hour, to a total capacity of 110,000 MT.

POLICY:

In order to protect the local grain producers from foreign competition, Morocco imposes imports tariffs on a periodical basis when supply and demand situations in the local market require. In 2009, the government imposed a 135 percent tariff on common wheat import for the period June 1-December 31, and a 170 percent tariff on durum wheat imports for the June-July period. Since January 2010, the tariff rate has been set at 80 percent for durum imports and at 90 percent for common wheat imports.

Tariff Rate Quota for 2009/2010

Moroccan wheat imports are subject to two sets of tariff rate quota (TRQ) systems under two separate agreements, one is with the European Union and the other is under the U.S.-Morocco Free Trade Agreement (FTA). Under these agreements, the TRQs for common wheat depend on the size of the local wheat crop in any given year. The implementation of the FTA with the U.S. continues to face some difficulties due to the divergence between the U.S. and the Moroccan government in the interpretations of the agreement concerning the reference year used to compute the size of the quota as well as the administrative procedures for implementing the TRQs.

Given the size of the Moroccan wheat crop in MY 2009/10, the TRQs for U.S. common wheat exports under the FTA in CY 2010 are set at their minimal level of 333,333 MT. The TRQs for U.S. durum wheat exports are set at 290,000 MT. The applicable tariff rate for common wheat is 44.7 percent and for durum wheat is 46.9 percent.

As mentioned earlier, the Moroccan National Office of Cereals (ONICL) accepted bids to import a total of 303,000 MT common (soft) wheat under the FTA TRQs from the United States that were tendered in two sessions in January and February. This amount will be about 30,000 MT short of the total quantity allocated to U.S. wheat exports under the TRQs of the FTA in 2010.

Barley under the FTA

Under the US-Morocco FTA, import duties on barley would be phased out in equal installments over 15 years. The base import duty for barley that was negotiated under the FTA is 35 percent. The tariff rate quota for the fifth year of the agreement is 23.35 percent.

MARKETING:

Distribution Channels

Wheat farmers have the option to sell their production in the local markets if prices are more appealing than the minimum government guaranteed price. To sell at the pre-set government price, farmers must deliver their crop to licensed grain merchants, cooperatives, or millers. The pre-set price is for a standard quality and deduction or bonuses apply to take into account deviations from the standard quality.

Common wheat accounts for most of the grain that goes through the official channels in spite of the yearly variations caused by the size of the harvest. In MY 2009/10, the common wheat channeled through the official channel (authorized grains merchants, grains cooperatives, and wheat millers) more than doubled, reflecting the larger crop size in this year compared to MY 2008/09.

The table below shows the fluctuation in the quantities of locally produced grain marketed through ONICL licensed agents in the past 10 years (1,000 MT):

Harvest Year	Common Wheat	Other Grains(*)	Total
2000	811	58	870
2001	417	14	430
2002	1,092	42	1,134
2003	1,013	33	1,046
2004	1,507	45	1,552
2005	1,860	30	1,890
2006	1,651	20	1,671
2007	463	7	470
2008	1,174	20	1,195
2009	2,400	30	2,430
Average	1,239	30	1,269

* Include Durum, Barley, Corn. Source: Moroccan Cereal Office

In MY 2009/2010, grains merchants, flour mills, and cooperatives accounted respectively for 68 percent, 24 percent, and 8 percent of the grains collected through the official channels.

U.S. Wheat Promotional Activities

The U.S. Wheat Associates Office in Casablanca continues to implement market development and promotional activities to expand U.S. wheat exports in Morocco and other North Africa markets. These activities include the support of a milling school that is managed by the Moroccan Miller Federation as well as other market development and trade servicing programs targeted at wheat buyers in the region. In December 2009, the U.S. Wheat Associates organized its annual Crop Quality Seminar in Casablanca to acquaint Moroccan private millers, importers, and government officials with U.S. wheat supply situation, the quality attributes of the new U.S. wheat crop and the advantages of U.S. supplies.

PRICES:

Farmers in Morocco have the option to sell their non-durum wheat production to government licensed traders (grain merchants, cooperatives, and mills) at a preset price (2,700 MDH/MT) or sell it in the free market. Prices of other grains (including durum wheat and barley) are freely negotiated in the market place. The average prices of durum wheat and barley in the local markets significantly declined in 2009, about 25-30 percent compared to prices in the previous year. The decline in the common wheat prices was less significant than that in durum wheat and barley prices.

The table below shows yearly average grain prices in the local markets (Prices in Dirham per MT based on average of weekly observations):

Crop Year	Common Wheat	Durum	Barley
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2005	2,410	2,790	2,160
2006	2,560	2,920	2,420
2007	3,550	4,025	3,575
2008	2,675	3,535	2,720
2009	2,565	2,950	1,940

Source: Morocco's Cereal Office (ONICL) (Indicative exchange rate 1 dirham (MDH) = \$7.80)

The table below shows average prices in MAD per Metric ton for wheat and barley at the local weekly markets where the prices are not pre-set by the government.

Cereals	Dec. 2009	Nov. 2009	Dec. 2008
Common wheat	2400-2730	2290-2600	2300-2880
Durum wheat	2500-3400	2440-3250	3180-4000
Barley	1680-2200	1490-2100	2500-3100

Source: Moroccan Cereal Office

Production, Supply and demand data statistics

Wheat, Morocco (Areas in 1,000 HA and Quantities in 1,000 MT)

Wheat	Morocco	2008		2009		2010	
		2008/2009		2009/2010		2010/2011	
		Market Year Begin: Jul 2008		Market Year Begin: Jul 2009		Market Year Begin: Jul 2010	
		USDA Official	New	USDA Official	New	USDA	New

	Data		Post	Data		Post	Official Data		Post
			Data			Data			Data
Area Harvested	2,858	2,858	2,858	2,978	2,930	2,800			2,829
Beginning Stocks	945	1,157	945	784	787	535			1,605
Production	3,730	3,730	3,730	6,370	5,200	6,370			4,200
MY Imports	3,759	3,200	3,200	1,800	2,600	2,300			3,200
TY Imports	3,759	3,200	3,200	1,800	2,600	2,300			3,200
TY Imp. from U.S.	20	60	60	0	60	420			400
Total Supply	8,434	8,087	7,875	8,954	8,587	9,205			9,005
MY Exports	100	100	90	100	100	100			100
TY Exports	100	100	90	100	100	100			100
Feed and Residual	150	0	50	150	0	0			100
FSI Consumption	7,400	7,200	7,200	7,500	7,300	7,500			7,400
Total Consumption	7,550	7,200	7,250	7,650	7,300	7,500			7,500
Ending Stocks	784	787	535	1,204	1,187	1,605			1,405
Total Distribution	8,434	8,087	7,875	8,954	8,587	9,205			9,005
Yield	1.	1.	1.3051	2.	2.	2.275			1.4846
TS=TD			0			0			0

Barley, Morocco (Areas in 1,000 HA and Quantities in 1,000 MT)

Barley	2008			2009			2010	
	2008/2009			2009/2010			2010/2011	
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year : Jul 2010	
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data	New Post
			Data			Data		Data
Area Harvested	2,181	2,181	2,181	2,183	2,160	2,180		1,910
Beginning Stocks	214	93	114	239	65	86		1,216
Production	1,272	1,272	1,272	3,800	2,600	3,800		2,900
MY Imports	328	350	350	100	80	130		110
TY Imports	275	350	350	100	80	130		110
TY Imp. from U.S.	0	20	20	0	0	0		0
Total Supply	1,814	1,715	1,736	4,139	2,745	4,016		4,226
MY Exports	0	0	0	0	0	0		0
TY Exports	0	0	0	0	0	0		0
Feed and Residual	900	1,050	1,050	2,000	1,500	1,900		2,100
FSI Consumption	675	600	600	900	600	900		900
Total Consumption	1,575	1,650	1,650	2,900	2,100	2,800		3,000
Ending Stocks	239	65	86	1,239	645	1,216		1,226
Total Distribution	1,814	1,715	1,736	4,139	2,745	4,016		4,226
Yield	1.		0.5832	2.	1.	1.7431		1.5183
TS=TD			0			0		0